



MASSACHUSETTS
CLEAN WATER TRUST

STEPS TO COMPLETING THE SRF LOAN PROCESS

March 2016



Massachusetts Department of Environmental Protection



MASSACHUSETTS
CLEAN WATER TRUST

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Department
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Steps to Financing

- ✓ **Intended Use Plan - Done**
 - Local Authorization by **June 30, 2016**
 - Loan Application to MassDEP by **October 14, 2016**
 - Project Approval Certificate - MassDEP
 - Loan Commitment from MCWT
 - Procurement Process - Authorization to Award - MassDEP
 - Project Regulatory Agreement - MassDEP
 - Financing Agreement - MCWT
 - Loan Closing- MCWT
 - Short Term Loans (Interim Loans)
 - Permanent Loans

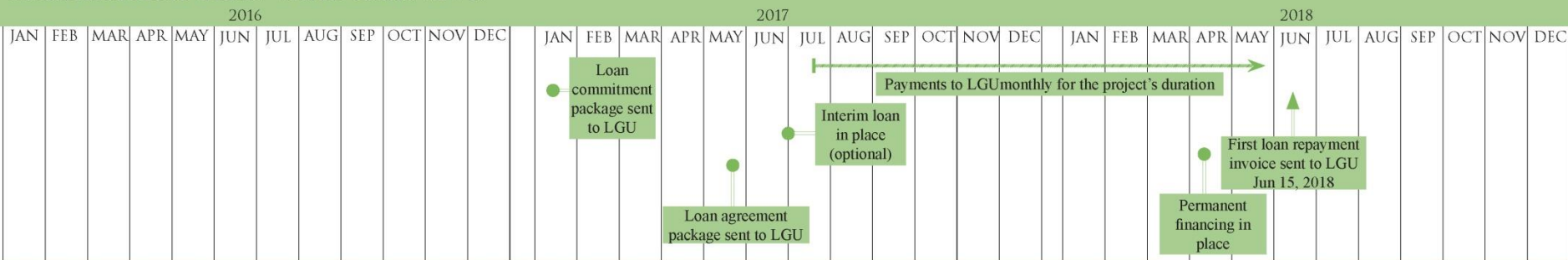


Project Duration 
 Deadline Dates 
 Flexible Dates 

STATE REVOLVING FUND

TYPICAL 2016 INTENDED USE PLAN (IUP) PROJECT TIMELINE

MASSACHUSETTS CLEAN WATER TRUST (CWT)



MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION (MASSDEP)



COMMUNITY/LOCAL GOVERNMENTAL UNIT (LGU)



Local Authorization

Town Meeting/City Council Vote:

- Must be voted by **June 30, 2016**
- General Obligation Pledged as Security
- Authorization to Borrow
- Appropriation
 - Make sure you ask for enough. Include:
 - Eligible and ineligible costs
 - Construction Management Fees
 - Police Details
 - Inflation



Loan Application & Project Approval Certificate (PAC)

- Loan Application is due to MassDEP **October 14, 2016** – *Can be submitted earlier.* The Loan Application includes: schedules, Plans and Specifications (“buildable”), debt authorization, permits, etc.
- After review of the Loan Application, PAC is issued by MassDEP to MCWT if any requirements have not been met PAC will be “restricted”
- MassDEP must issue PAC by **December 31, 2016**
- Copies of PAC are emailed to Borrower and their consultant
- PAC certifies to the MCWT that the project is eligible to receive SRF financing and identifies eligible and ineligible costs



Loan Commitment Package

- **Board of Trustees approval vote creates Commitment to Borrower**
- **The Loan Commitment Package is emailed to Treasurer/Financial Officer and includes:**
 - **Loan Commitment Document**
 - **Requirements Letter Outlining step by step process to close the loan**
 - **Loan Questionnaire to be filled out by Borrower**
- **Borrower needs to:**
 - **Request Green Light Letter- from local bond counsel**
 - **Return one (1) signed questionnaire to MCWT**



Loan Questionnaire

- **Borrower provides:**
 - **Updated, accurate information in order for MCWT to comply with the tax code as it applies to tax exempt bonds**
 - **One (1) completed questionnaire loan process and one (1) verification form before permanent financing**
 - **Accurate wiring instructions for loan disbursements**
 - **Please notify MCWT if you change your wiring instructions**



Green Light Letter and Bond

- **Borrower's Bond Counsel prepares:**
 - **"Green Light Letter,"** which is sent to MCWT certifying that the local vote is legal
 - **Local bond and Interim Loan Note** for delivery to the MCWT for interim and permanent loan
 - **MCWT does not finance local costs for bond counsel**



Borrower Procurement Process

Project Bidding generally occurs between **January 1 and June 30**

- Before bidding, MassDEP must give “Permission to Advertise”
- After bid opening, MassDEP Civil Rights Section reviews and approves Disadvantaged Business Enterprise (DBE) participation
- MassDEP reviews bid results and issues “Authorization to Award”
 - *2015 Projects receiving Principal Forgiveness must have signed construction contracts by **April 30, 2016***
 - *2016 projects receiving Principal Forgiveness must have signed construction contracts by **June 30, 2017***

MassDEP Project Regulatory Agreement (PRA)

- **Contract between MassDEP and the Borrower**
- **Establishes MassDEP control over project**
 - **Outlines project eligibility and funding**
 - **Establishes disbursement procedures**
 - **Outlines the loan closeout process**
 - **Includes the legal requirements of the borrower**
 - **Discusses project defaults and how to remedy**
- **PRA is usually issued concurrently with the “Authorization to Award” or shortly thereafter**

Financing Agreement

As with the Project Approval Certificate, the Financing Agreement is voted at a Board of Trustees meeting. The Financing Agreement:

- **Is a contract between MCWT and the Borrower**
- **Outlines MCWT and Borrower's responsibilities**
- **States how a loan default can occur and how to cure the default**

Once the Financing Agreement is approved, the questionnaire is returned and the green light is received, the Borrower will receive a package containing:

- **Two (2) copies of the PRA**
- **Two (2) copies of the Financing Agreement**
- **Sign and Return to MCWT:**
 - **One (1) copy of the PRA**
 - **One (1) copy of the Financing Agreement**



Disbursements

- **“Payment requisition” is completed by the Borrower and forwarded to MassDEP with the appropriate documentation (receipts, invoices, etc.)**
- **MassDEP reviews the request and approves eligible costs**
- **MassDEP forwards the request to the Trust**
- **MCWT wires to Borrowers every Thursday with funds often available the next day**

Interim Financing

- **Lower cost than BANs**
 - **0% Interest Rate for loans with PRAs approved after April 1, 2016**
 - **Interim loan fee has been eliminated for loans with PRAs approved after April 1, 2016**
- **Bond counsel issues interim loan note to MCWT**
- **Interim loans are usually permanently financed within one year**
- **Most borrowers use interim financing**
- **If you don't use interim financing you won't receive any disbursements until the Trust goes to market for permanent financing.**



Loan Terms and Fees

| | Clean Water & Drinking Water | Interim Loans |
|-------------------------------|---|---------------|
| Loan Rate | 2% (20 Years) Calculated (30 Years)* | 0%** |
| Maximum Term | 30 Years | 1 Year |
| Admin. Fee | 0.15% | N/A |
| Effective Loan Rate | 2.15% (20 Years) | 0% |
| Origination Fee (one-time) | Approx. \$5.50/\$1000*** | N/A |

***Rate calculated at time of bond sale, estimated between 2.4-2.9%**

**** Interim loan rate is 0.13% for PRAs approved before April 1, 2016**

***** To be determined at time of bond sale to offset costs**

Loan Repayment

- Upon permanent financing, payments are due **July 15** and **January 15**
- MCWT will send an invoice 30 days in advance
- Invoice will include wiring instructions
- Debt Service Payments
- Administrative Fee Payments
- Loan Origination Fee Payment- due at first debt service payment and is included on the repayment schedule



Debt Service Schedule (Schedule C)

Draft Schedule C

Prepared by MWPAT

Apr, 22 2014 - 4:42 PM

Massachusetts Water Pollution Abatement Trust
Preliminary Structuring Analysis
Yourtown
Loan: CW-14-2014

| | | | |
|-----------------------|--------------|-----------------------------------|-----------|
| Initial Loan Amount | 5,000,000.00 | Loan Origination Fee (\$5.5/1000) | 27,500.00 |
| Principal Forgiveness | | Loan Term (in years) | 20 |
| Net Loan Obligation | 5,000,000.00 | Loan Rate | 2.00% |
| | | Closing Date | 5/31/2015 |
| | | First Interest | 7/15/2015 |
| | | First Principal | 1/15/2016 |

| Date | Principal | Interest | Total Debt Service | Admin Fee (0.15%) | Loan Origination Fee | Commonwealth Assistance Principal Forgiveness | Total Debt Service | Annual Debt Service |
|-----------|------------|-----------|--------------------|----------------------|----------------------------|--|-----------------------|---------------------|
| 5/31/2015 | | | | | | | | |
| 7/15/2015 | | 12,500.00 | 12,500.00 | 3,750.00 | 27,500.00 | | 43,750.00 | |
| 1/15/2016 | 212,120.00 | 50,000.00 | 262,120.00 | 3,750.00 | | | 265,870.00 | 309,620.00 |
| 7/15/2016 | | 47,878.80 | 47,878.80 | 3,590.91 | | | 51,469.71 | |
| 1/15/2017 | 206,681.00 | 47,878.80 | 254,559.80 | 3,590.91 | | | 258,150.71 | 309,620.42 |
| 7/15/2017 | | 45,811.99 | 45,811.99 | 3,435.90 | | | 49,247.89 | |
| 1/15/2018 | 211,125.00 | 45,811.99 | 256,936.99 | 3,435.90 | | | 260,372.89 | 309,620.78 |
| 7/15/2018 | | 43,700.74 | 43,700.74 | 3,277.56 | | | 46,978.30 | |
| 1/15/2019 | 215,664.00 | 43,700.74 | 259,364.74 | 3,277.56 | | | 262,642.30 | 309,620.59 |
| 7/15/2019 | | 41,544.10 | 41,544.10 | 3,115.81 | | | 44,659.91 | |
| 1/15/2020 | 220,300.00 | 41,544.10 | 261,844.10 | 3,115.81 | | | 264,959.91 | 309,619.82 |
| 7/15/2020 | | 39,341.10 | 39,341.10 | 2,950.58 | | | 42,291.68 | |
| 1/15/2021 | 225,037.00 | 39,341.10 | 264,378.10 | 2,950.58 | | | 267,328.68 | 309,620.37 |
| 7/15/2021 | | 37,090.73 | 37,090.73 | 2,781.80 | | | 39,872.53 | |
| 1/15/2022 | 229,875.00 | 37,090.73 | 266,965.73 | 2,781.80 | | | 269,747.53 | 309,620.07 |
| 7/15/2022 | | 34,791.98 | 34,791.98 | 2,609.40 | | | 37,401.38 | |
| 1/15/2023 | 234,818.00 | 34,791.98 | 269,609.98 | 2,609.40 | | | 272,219.38 | 309,620.76 |
| 7/15/2023 | | 32,443.80 | 32,443.80 | 2,433.29 | | | 34,877.09 | |
| 1/15/2024 | 239,866.00 | 32,443.80 | 272,309.80 | 2,433.29 | | | 274,743.09 | 309,620.17 |
| 7/15/2024 | | 30,045.14 | 30,045.14 | 2,253.39 | | | 32,298.53 | |

Contact Information

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